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International Court of Justice

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INTERNATIONAL
MILITARY TRIBUNAL

THE INDIVIDUAL RESPONSIBILITY OF THE DEFENDANT HJALMAR SCHACHT

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A. Sections of the Indictment

The sections of the Indictment to which this brief has particular reference are:

COUNT ONE - The Common Plan or Conspiracy
Paragraphs III; IV (B), (D), (E), (F), (H)

COUNT TWO - Crimes Against Peace
Paragraphs V; VI; VII

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B. Legal References

The Charter

Article 6. The Tribunal established by the Agreement referred to in Article 1 hereof for the trial and punishment of the major war criminals of the European Axis countries shall have the power to try and punish persons who, acting in the interests of the European Axis countries, whether as individuals or as members of organizations, committed any of the following crimes.

The following acts, or any of them, are crimes coming within the jurisdiction of the Tribunal for which there shall be individual responsibility:

(a) CRIMES AGAINST PEACE: namely, planning, preparation, initiation or waging of a war of aggression, or a war in violation of international treaties, agreements or assurances, or participation in a common plan or conspiracy for the accomplishment of any of the foregoing;

* * * * * *

Leaders, organizers, instigators and accomplices participating in the formulation or execution of a common plan or conspiracy to commit any of the foregoing crimes are responsible for all acts performed by any persons in execution of such plan.

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C. Statement of Evidence

The prosecution concedes, at the outset, that although Schacht believed that the Jews of Germany should be stripped of their rights as citizens, he was not in complete sympathy with that aspect of the Nazi Party's program which involved the wholesale extermination of the Jews, and that he was, for that reason, attacked from time to time by the more extreme elements of the Nazi Party. It further concedes that Schacht, on occasion, gave aid and comfort to individual Jews who sought to escape the indignities generally inflicted upon Jews in Nazi Germany. Schacht's attitude towards the Jews is exemplified by his speech at the German Eastern Fair, Koenigsberg, on 18 August 1935, wherein he said:

> "The Jew must realize that their influence is gone for all times. We desire to keep our people and our culture pure and distinctive, just as the Jews have always demanded this of themselves since the time of the prophet Ezra. But the solution of these problems must be brought about under state leadership, and cannot be left to unregulated individual actions, which mean a disturbing influence on the national economy..."
>
> EC 433, Schacht speech at German Eastern Fair, Koenigsberg, 18 August 1935.

The prosecution respectfully submits that the foregoing concessions render it unnecessary for Schacht to produce evidence upon these matters.

The prosecution's case against Schacht is that he planned and prepared for wars of aggression and wars in violation of international treaties, agreements and assurances, and that he knowingly and wilfully participated in the Nazi common plan or conspiracy to plan, prepare, initiate, and wage such wars. The evidence establishes that Schacht actively supported Hitler's accession to power; that he was the chief architect of the financial plans and devices which made possible the huge program of rearmament in Germany; that he played a dominant role in the economic planning of, and preparation for, wars of aggression; and that he contributed his efforts willingly and with full knowledge of the fact that the leader of the conspiracy, Adolf Hitler, was determined upon attaining his objectives by launching aggressive wars.

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THE CHRONOLOGY OF SCHACHT'S OFFICIAL POSITIONS

The chronology of Schacht's official positions is as follows:

(a) Schacht was recalled by Hitler to the Presidency of the Reichsbank on 17 March 1933.

3021 PS, Statement of Governmental Positions held by Schacht, U.S.A. Ex. 11.

(b) Schacht was appointed acting Minister of Economics by Hitler in August 1934.

Ibid.

(c) By secret decree, Schacht was appointed General Plenipotentiary for the War Economy in May 1935.

2261 PS, Secret communication from General von Blomberg, 24 June 1935, U.S.A. Ex. 24.

(d) Schacht was awarded honorary membership in the Nazi Party and the Golden Swastika on 30 January 1937, "the highest honor the Third Reich has to offer".

EC 500, Excerpt from Frankfurter Zeitung, 9 February 1937.

(e) Schacht was re-appointed for one year as President of the Reichsbank on 16 March 1937.

3021 PS, Statement of Governmental Positions held by Schacht, U.S.A. Ex. 11.

(f) Schacht resigned as Minister of Economics and General Plenipotentiary for the War Economy in November 1937.

Ibid.

EC 494, Secret communication from Lammers to Schacht, U.S.A. Ex. 643.

(g) Hitler appointed Schacht Minister Without Portfolio at the same time.

3021 PS, Statement of Governmental Positions held by Schacht, U.S.A. Ex. 11.

(h) Schacht was re-appointed for a four year term as President of the Reichsbank on 9 March 1938.

Ibid.

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(i) Schacht was dismissed as President of the Reichsbank on 20 January 1939. In connection therewith, Hitler expressed his deep gratitude for Schacht's past services and his gratification that Schacht would remain to serve him as Minister Without Portfolio.

EC 397, Letter from Hitler to Schacht, 19 January 1939, U.S.A. Ex. 650.

(j) Schacht remained as Minister Without Portfolio until January 1943, when he was dismissed by Hitler. During the period from the time of his dismissal as President of the Reichsbank until the end of 1942, he continued to receive the full salary he had been paid as the President of the Reichsbank, and thereafter received a pension from the Reichsbank. As Minister Without Portfolio, he received a large salary from the Nazi Government and other emoluments of the office.

Interrogation of Schacht, 11 July 1945, pp. 11-12.

II

PRIOR TO 1933, SCHACHT ACCEPTED THE NAZI PROGRAM AND HELPED HITLER TO POWER

Schacht met Goering for the first time in December 1930, and Hitler early in January 1931, at Goering's house. He thought that Hitler was "full of will and spirit" and a man "with whom one could co-operate". Thereafter, he actively supported Hitler's accession to power.

Interrogation of Schacht, 20 July 1945, p. 1, U.S.A. EX. 615.

Interrogation of Schacht, 17 October 1945, pp. 36-37, U.S.A. Ex. 616.

Schacht's belief in the Nazi program and his undivided loyalty to Hitler are revealed in his letter to Hitler dated 29 August 1932, wherein he pledged continued support to Hitler after the latter's poor showing in the July 1932 elections and proferred advice concerning electioneering tactics. The letter includes the following statements, inter alia:

"But what you could perhaps do with in these days is a word of most sincere sympathy. Your movement is carried internally by so strong a truth and necessity that victory in one form or another cannot elude you for long...

* * *

"Wherever my work may take me in the near future even if you should see me one day within the fortress - you can always count on me as your reliable assistant".

EC 457, Letter from Schacht to Hitler, 29 August 1932, U.S.A. Ex. 619.

Subsequently, on 12 November 1932, he again wrote to Hitler, congratulating him upon his firm attitude and stating:

"I have no doubt that the present development of things can only lead to your becoming chancellor ..... I am quite confident that the present system is certainly doomed to disintegration".

EC 456, Letter from Schacht to Hitler, 12 November 1932.

The fact that Schacht was in complete accord with Hitler's program is further shown by the following entry of 21 November 1932, in Goebbels' diary:

"In a conversation with Dr. Schacht, I assured myself that he absolutely represents our point of view. He is one of the few who accepts the Fuehrer's position entirely".

2409A-PS, Goebbels, "Vom Kaiserhof zur Reichskanzlei", U.S.A. Ex. 262.

Schacht has himself confirmed the correctness of Goebbels' statement.

Schacht Interrogation, 17 October 1945, pp. 37-38, U.S.A. Ex. 616.

But Schacht's contribution to Hitler before his accession to power did not consist merely of comforting him, giving advice, and expressing agreement with the Nazi program. He was an active participant in Hitler's vigorous campaign to take over the German state. Thus, he openly lent the prestige of his name, which was widely known in banking, financial, and business circles, to Hitler's cause.

Interrogation of Schacht, 17 October 1945, pp. 36-37, U.S.A. Ex. 616.

He actively undertook to induce business leaders to support Hitler. In his letter to Hitler of 12 November 1932, he wrote that:

"It seems as if our attempt to collect a number of signatures from business circles for this purpose (your becoming Chancellor) was not altogether in vain..."

EC 456, Letter from Schacht to Hitler, 12 November 1932.

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He organized the financial means for the decisive March 1933 election, at a meeting of Hitler with a group of German industrialists in Berlin. At this meeting, Hitler bluntly announced his plans to destroy the parliamentary system in Germany, to crush all internal opposition by force, to restore the power of the Wehrmacht, and to gain his objectives outside of Germany by the use of force. On this occasion, Schacht collected a campaign fund of several million Marks for Hitler's use.

D 203, Report of meeting of industrialists in Berlin.

EC 439, Affidavit of von Schnitzler, U.S.A. Ex. 618.

In an eulogy of Schacht on the occasion of his sixtieth birthday, the Voelkischer Beobachter, Hitler's official organ, aptly described Schacht's activity in the period before the 1933 election as follows:

"In this critical period, Schacht never failed to point at Adolf Hitler as the only possible leader of the Reich .

* * *

"The name of Dr. Schacht will remain linked with the transition of the German economy to the new National Socialist methods".

EC 499, Voelkischer Beobachter, 21 January 1937.

III

SCHACHT PLAYED A DOMINANT ROLE IN THE CONSPIRATORS' PROGRAM OF REARMAMENT AND ECONOMIC PLANNING AND PREPARATION FOR WAR

Germany was virtually prostrate in the early part of 1933; she was faced with dwindling revenues from taxation and seemingly unable to raise money either through external or internal loans. Hitler entrusted to Schacht the task of wringing from the depressed German economy the tremendous material requirements of armed aggression, and endowed him with vast powers over every sector of German industry, commerce, and finance to carry out that task. It is our purpose in this chapter to sketch some of the devices which Schacht employed to fulfill his mission.

Schacht's program, as hereinafter outlined, was, by his own admissions, dedicated to the accomplishment of Hitler's armament program. In a memorandum to Hitler dated 3 May 1935 concerning the financing of

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armament, Schacht wrote:

> "The following comments are based on the assumption that the accomplishment of the armament program in regard to speed and extent, is the task of German policy, and that therefore everything else must be subordinated to this aim, although the reaching of this main goal must not be imperilled by neglecting other questions...
> * * *
> "... all expenditures which are not urgently needed in other matters, must stop and the entire, in itself small, financial power of Germany must be concentrated toward the one goal: to arm".

1168 PS, Memorandum from Schacht to Hitler dated 3 May 1935, U.S.A. Ex. 37.

In a letter to General Thomas dated 29 December 1937, Schacht stated:

> "I have always considered a rearmament of the German people as conditio sine qua non of the establishment of a new German nation".

EC 257, Letter from Schacht to Thomas, 29 December 1937.

Schacht's vast achievements in furtherance of the conspirators' program may conveniently be considered under four headings: (a) armament financing (b) the "New Plan" (c) control of production, and (d) plans and preparations for economic controls during war.

(a) Armament financing

(1) Mefo bills. The financing of the conspirators' huge rearmament program presented a twofold problem to Schacht. First, was the need of obtaining funds over and above the amount which could be obtained through taxation and public loans. Second, was the conspirators' desire, in the early stages of rearmament, to conceal the extent of their feverish armament activities. Schacht's answer to the problem was the "mefo" bills, a scheme which he devised for the exclusive use of armament financing.

EC 436, Affidavit of Puhl, 2 November 1945, U.S.A. Ex. 620.

Transactions in "mefo" bills worked as follows: "mefo" bills were drawn by armament contractors and accepted by a limited liability company called the Metallurgische Forschungsgesellschaft, m.b.H.(MEFO). This company was merely a dummy organization; it had a nominal capital of only one million Reichsmarks. "Mefo" bills ran for six months, but

provision was made for extensions running consecutively for three months each. The drawer could present his "mefo" bills to any German bank for discount at any time, and these banks, in turn, could re-discount the bills at the Reichsbank at any time within the last three months of their earliest maturity. The amount of "mefo" bills outstanding was a guarded state secret.

Ibid.

EC 418, Bulletin 1936 for the execution of bill of exchange transactions with the Metallurgische Forschungsgesellschaft m.b.H. (MEFO).

The "mefo" bill system continued to be used until 1 April 1938, when 12 billion Reichsmarks of "mefo" bills were outstanding.

EC 436, Affidavit of Puhl, 2 November 1945, U.S.A. Ex. 620.

This method of financing enabled the Reich to obtain credit from the Reichsbank which, under existing statutes, it could not directly have obtained. Direct lending to the Government by the Reichsbank had been limited by statute to 100 million Reichsmarks.

Reichsgesetzblatt, 1924, II, p. 241.

Schacht has conceded that his "mefo" bill device "enabled the Reichsbank to lend by a subterfuge to the Government what it normally or legally could not do".

Interrogation of Schacht, 16 October 1945, p. 27, U.S.A. Ex. 636.

In a speech delivered on 29 November 1938, Schacht glowingly described the credit policy of the Reichsbank of which he was the author as follows:

"It is possible that no bank of issue in peacetimes carried on such a daring credit policy as the Reichsbank since the seizure of power by National Socialism. With the aid of this credit policy, however, Germany created an armament second to none, and this armament in turn made possible the results of our policy".

EC 611, Speech by Schacht, 29 November 1938, entitled "Miracle of Finance and the New Plan", U.S.A. Ex. 622.

The "daring credit policy", which made possible the creation of "an armament second to none", obviously embraced the "mefo" bill financing which he had contrived.

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(2) Use of funds of opponents of Nazi regime. In his efforts to draw upon every possible source of funds for the conspirators' rearmament program, Schacht even used the blocked funds of foreigners' deposits in the Reichsbank. In his memorandum to Hitler of 3 May 1935, Schacht boasted:

> "The Reichsbank invested the major part of Reichsbank accounts owned by foreigners, and which were accessible to the Reichsbank, in armament drafts. Our armaments are, therefore, being financed partially with the assets of our political opponents".

1168 PS, Memorandum from Schacht to Hitler, 3 May 1935, U.S.A. Ex. 37.

(3) Taxation and long term indebtedness. "Mefo" bills and the funds of political opponents of the conspirators were, of course, not the only sources from which Schacht drew to finance the armament program. Funds for rearmament were likewise derived from taxation and an increase in public debt -- channels through which part of national income is ordinarily diverted to public authorities. But what distinguished the conspirators' program of public indebtedness was the fact that the German capital market was completely harnessed to the expanding needs of the Nazi war machine. By a series of controls, they reduced to the minimum consistent with their rearmament program, all private issues which might have competed with Government issues for the limited funds in the capital market. Thus, the capital market was, in effect, preempted for Government issues.

EC 497, Letter from Schacht to Goering, 5 August 1937.

EC 611, Speech by Schacht, 29 November 1938, "Miracle of Finance and the New Plan", U.S.A. Ex. 622.

During the period from 31 December 1932 to 30 June 1938, the funded debt of the Reich rose from 10.4 billion Marks to 19 billion Marks.

EC 419, Letter from Schwerin-Krosigk to Hitler, 1 September 1938, U.S.A. Ex. 621.

This large increase in funded debt was dedicated "as far as possible" to "the financing of armament and the Four-Year Plan".

EC 611, Speech by Schacht, 29 November 1938, "Miracle of Finance and the New Plan", U.S.A. Ex. 622.

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(b) The New Plan

The conspirators' grandiose armament plans obviously required huge quantities of raw materials. Schacht was a proponent of the view that as much of the requisite raw materials as possible should be produced within Germany. At the same time, however, he recognized that large imports of raw materials were indispensable to the success of the conspirators' gigantic armament program. To that end, he fashioned an intricate system of controls and devices which he called the "New Plan".

Reichsgesetzblatt, 1934, I, pp. 816, 829, 864.

Reichsgesetzblatt, 1935, I, p. 105.

There were three main features of the "New Plan" as devised by Schacht: (1) restriction of the demand for such foreign exchange as would be used for purposes unrelated to the conspirators' rearmament program, (2) increase of the supply of foreign exchange, as a means of paying for essential imports which could not otherwise be acquired, and (3) clearing agreements and other devices obviating the need for foreign exchange. Under the "New Plan", economic transactions between Germany and the outside world were no longer governed by the autonomous price mechanism; they were determined by a number of Government agencies whose primary aim was to satisfy the needs of the conspirators' military economy.

EC 437, Affidavit by Puhl, 7 November 1945, U.S.A. Ex.624.

Schacht accomplished the negative task of restricting the demand for foreign exchange

> "by various measures suspending the service on Germany's foreign indebtedness, by freezing other claims of foreigners on Germany, by a stringent system of export controls and by eliminating foreign travel and other unessential foreign expenditures",
>
> Ibid.

In order to increase the available supply of foreign exchange

> "Schacht repeatedly requisitioned all existing foreign exchange reserves of German residents, required all foreign exchange arising out of current exports and other transactions to be sold to the Reichsbank, and by developing new export markets. Exports were encouraged by direct subsidies and by accepting partial payment in German foreign bonds or in restricted Marks which could be acquired by foreign importers at a substantial discount".
>
> Ibid.

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A vast network of organizations was erected to effectuate these various measures. Suffice it for present purposes to mention merely one of these organizations: the supervisory agencies (Ueberwachungsstellen). These agencies, which were under Schacht's control as Minister of Economics, decided whether given imports and exports were desirable; whether the quantities, prices, credit terms, and countries involved were satisfactory; and, in short, whether any particular transaction advanced the conspirators' armament program. The overriding military purpose of the series of controls instituted under the "New Plan" is plainly shown in Schacht's letter of 5 August 1937 to Goering, wherein he said:

> "... The very necessity of bringing our armament up to a certain level as rapidly as possible must place in the foreground the idea of as large returns as possible in foreign exchange and therewith the greatest possible assurance of raw material supplies, through exporting".

EC 497, Letter from Schacht to Goering, 5 August 1937.

There remains for consideration that aspect of the "New Plan" which involved extensive use of clearing agreements and other arrangements made by Schacht to obtain materials from abroad without the expenditure of foreign exchange. The principle of the clearing system, which may be judicially noticed, is as follows: The importer makes a deposit of the purchase price in his own currency at the national clearing agency of his country, which places the same amount to the credit of the clearing agency of the exporting country. The latter institution then pays the exporter in his own currency. Thus, if trade between two countries is unequal, the clearing agency of one acquires a claim against the agency of the other. That claim, however, is satisfied only when a shift in the balance of trade gives rise to an offsetting claim.

This device was used by Schacht as a means of exploiting Germany's position as Europe's largest consumer in order to acquire essential raw materials from countries which, because of the world wide economic depression, were dependent upon the German market as an outlet for their surplus products. Speaking of his system of obtaining materials abroad without the use of foreign exchange, Schacht has stated:

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"It has been shown that, in contrast to everything which classical national economy has hitherto taught, not the producer but the consumer is the ruling factor in economic life. And this thesis is somewhat connected with general social and political observations, because it establishes the fact that the number of consumers is considerably larger than the number of producers, a fact which exercises a not inconsiderable social and political pressure".

EC 611, Speech by Schacht, 29 November 1938, "Miracle of Finance and the New Plan", U.S.A. Ex. 622.

Schacht's clearing agreements were particularly effective in Southeastern Europe, where agricultural exports had been considerably curtailed by competition from the more extensive and efficient overseas agriculture. The success of Schacht's ruthless use of Germany's bargaining position is indicated by the fact that by August 1937, there had been imported into Germany approximately one half billion Reichsmarks of goods in excess of the amount delivered under the clearing arrangements. In his letter to Goering dated 5 August 1937, Schacht stated:

"... in clearing transactions with countries furnishing raw materials and food products we have bought in excess of the goods we were able to deliver to these countries (namely, Southeastern Europe and Turkey) roughly one half billion RM ..."

EC 497, Letter from Schacht to Goering, 5 August 1937.

Thus, through this device, Schacht was able to extract huge loans from foreign countries which Germany could not have obtained through ordinary channels. The device as developed by Schacht was subsequently used during the war as a means of systematically exploiting the occupied countries of Western Europe. (See Transcript pp. 3138, 3183-3185).

In addition to the clearing agreements, Schacht devised the system which came to be known as the "aski" accounts. This scheme likewise obviated the need for free currency (i.e. Reichsmarks freely convertible into foreign currency at the official rate -- U.S. dollars, pounds sterling, etc). The system, of which the Tribunal may take judicial notice, worked as follows: The German foreign exchange control administration would authorize imports of goods in specified quantities and categories on the condition that the foreign sellers agreed to accept payment in the form of Mark credits to accounts of a special type held in German banks. These accounts were called "aski", an abbreviation of

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Auslander Sonderkonten fuer Inlandszahlungen (foreigners' special accounts for inland payments). The so-called "aski" Marks in such an account could be used to purchase German goods only for export to the country of the holder of the account; they could not be converted into foreign currency at the official rates of exchange. Each group of "aski" accounts formed a separate "island of exchange" in which the German authorities, under Schacht's leadership, could apply their control as the country's bargaining position in each case seemed to warrant.

Schacht's ingenious devices were eminently successful. They admirably served the conspirators' need of obtaining materials which were necessary to create and maintain their war machine. On this point, Schacht has stated:

> "The success of the New Plan can be proved by means of a few figures. Calculated according to quantity, the import of finished products was throttled by 63 percent between 1934 and 1937. On the other hand, the import of ores was increased by 132 percent, of petroleum by 116, of grain by 102 and of rubber by 71 percent.
> * * *
> "These figures show how much the New Plan contributed to the execution of the armament program as well as to the securing of our food"
>
> EC 611, Speech by Schacht on "Miracle of Finance and the New Plan", 29 November 1938, U.S.A. Ex. 622.

(c) Production Control

As an additional means of assuring that the conspirators' military needs would be met, Schacht adopted a host of controls over the productive mechanism of Germany, extending, inter alia, to the allocation of raw materials, regulation of productive capacity, use of abundant or synthetic substitutes in place of declining stocks of urgently needed materials, and the erection of new capacity for the production of essential commodities. The structure of regulation, of which the Tribunal may take judicial notice, was built up out of thousands of decrees in which governmental agencies under Schacht's control issued permits, prohibitions and instructions. These decrees were the outgrowth of carefully laid plans of the Ministry of Economics, of which Schacht was the head, concerning "economic preparation for the conduct of war", and in accordance with its view that "genuine positive economic mobiliza-

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tion" demanded that "exact instructions for every individual commercial undertaking are laid down by a central authority".

EC 128, Secret report on state of preparation for war economic mobilization, 30 September 1934, U.S.A. Ex. 623.

The plan to allocate raw materials was carried out through myriad "orders to produce" specifying that certain commodities must or must not be produced; "orders to process or use" prescribing the type and quantity of raw material which could or could not be used in the production of a given commodity; orders specifying that scarce raw materials could be used only as admixtures with more plentiful but inferior products; and other like measures. The precise details of these orders are unimportant for present purposes. Their significance lies in the fact that they were governed by a central purpose: preparation for war. In the above mentioned secret report issued in September 1934 by the Ministry of Economics it was said:

"Rules are to be initiated for the allotment of scarce raw materials etc; and their use and processing for other than war, or otherwise absolutely vital, goods is prohibited".

Ibid., part III

The military aspects of Schacht's plans to increase the production of scarce raw materials within Germany, and thereby reduce Germany's dependence upon foreign countries for materials needed in the rearmament program, are likewise revealed in the aforementioned report of the Ministry of Economics of September 1934:

"The investigations initiated by the Raw Materials Commission and the measures introduced for enlarging our raw materials basis through home production as well as for furthering the production of substitute materials will directly benefit war economy preparations".

Ibid.

(d) Plans and Preparations for Economic Controls During War

Pursuant to the unpublished Reich Defense Law secretly enacted on 21 May 1935, Schacht was appointed General Plenipotentiary for War Economy by Hitler. Under this law, Schacht was placed in complete charge of economic planning and preparation for war in peacetime, except for the direct production of armaments which was entrusted to the Ministry

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of War; and upon the outbreak of war, Schacht was to be the virtual economic dictator of Germany. His task was "to put all economic forces in the service of carrying on the war and to secure the life of the German people economically". In order to facilitate his task, the Ministers of Economy, Food and Agriculture, Labor, and Forestry were subordinated to him, and he was authorized "within his realm of responsibility, to issue legal regulations which may deviate from existing regulations". The necessity for absolute secrecy was stressed.

2261 PS, Secret communication from General von Blomberg, 24 June 1935, U.S.A. Ex. 24.

Schacht appointed Wohltat as his deputy General Plenipotentiary for War Economy and organized a staff to carry out his directives. Schacht had admitted that he must accept full responsibility for the actions of these subordinates.

Schacht's Interrogation, 17 October 1945, p. 40, U.S.A. Ex. 616.

Before his resignation in late 1937, Schacht had worked out in amazing detail his plans and preparations for the German economy in the forthcoming war. Recognizing that wartime controls, to be effective, must be based on adequate information, Schacht had directed the completion of comprehensive surveys of 180,000 industrial plants in Germany and had compiled statistics concerning

> "the composition of the labor force as to sex, age, and training, the consumption of raw and auxiliary material, fuels, power, the productive capacity, the domestic and foreign trade as well as the supply of material and products in the beginning and at the end of the year".

EC 258, Report on Preparation of the Economic Mobilization by the Plenipotentiary for War Economy, U.S.A. Ex. 625.

On the basis of the statistical data thus collected, plans had been formulated by the end of 1937 wherein

> "the needs of the Armed Forces and the civilian minimum needs in wartime are compared with the covering thereof by supplies and production".

Ibid.

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The supervisory boards, which were briefly described above in connection with the import and export controls, were charged with "preparing their orders for the regulation of war contracts and fees", and were instructed to coordinate with various Reich manpower authorities to secure "their indispensable personnel".

Ibid.

Special measures were taken under Schacht's direction, to maintain "mobilization stocks" of coal and to assure their distribution in accordance with the wartime needs of armament factories and large consumers. Large "gasoline storage places" were constructed for use of the Wehrmacht and "gasoline stations and gasoline stores" were designated "for the first equipment of the troops in case of mobilization". Careful plans were also made for the allocation of power during war, and practice manoeuvers were held in order to determine "what measures have to be taken in case places of power generation should be eliminated".

Ibid.

Evacuation plans for the removal of war materials, agricultural products, skilled workers, and animals from military zones were worked out by the Office of the Plenipotentiary for War Economy with characteristic thoroughness. Thus, "the supplies and skilled workers in the evacuation zones" were "registered, earmarked for transportation into certain salvage areas and registered with the Wehrkreiskommandos by the field offices of evacuation and salvaging plans".

Ibid.

Detailed plans for a system of rationing to become effective immediately upon mobilization had already been made by the end of 1937:

> "The 80 million ration cards necessary for this purpose have already been printed and deposited with the Landrate, Chief Mayors, and corresponding authorities. The further distribution of the ration cards to the individual households is prepared by these authorities to take place within 24 hours after mobilization has been ordered".

Ibid.

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Trusted persons whose reliability had been attested to by the Secret State Police were installed in important enterprises and charged with the execution of "measures which guarantee the maintenance of production of their enterprises in the event of mobilization". Their functions likewise extended, among other matters, to applying "for exemptions from military service" of "employees who are indispensable to their enterprise", and seeking immunity from requisition by the Wehrmacht of all motor trucks which were needed in the enterprises to which they were assigned.

Ibid.

Pursuant to directives issued by Schacht as plenipotentiary, labor authorities of the Government ascertained "the available amount of manpower, the wartime requirements of manpower and measures for the covering of the wartime needs". The wartime needs were to be met in part "by using reserve manpower (manpower theretofore used in non-essential enterprises, women, etc.)", and by making "every change of working place and every hiring of workers dependent upon the consent of the Labor Office".

Ibid.

The foregoing measures, it should be noted, are merely representative they are not exhaustive. It is obviously impossible, within the confines of this brief, to describe in full the extent of Schacht's contribution to the conspirators' economic preparation for war. But enough appears to make it abundantly clear that his contribution, by any standard, was an extraordinarily important one. Enough appears, moreover, to give particular emphasis to the following observations of the Honorable George S. Messersmith, United States Consul General in Berlin from 1930 to 1934:

> "It was his (Schacht's) financial ability that enabled the Nazi regime in the early days to find the financial basis for the tremendous armament program and which made it possible to carry it through. If it had not been for his efforts, and this is not a personal observation of mine only but I believe was shared and is shared by every observer at the time, the Nazi regime would have been unable to maintain itself in power and to establish its control over Germany, much less to create the enormous war machine which was necessary for its objectives in Europe and later throughout the world.

"The increased industrial activity in Germany incident to rearmament made great imports of raw materials necessary while at the same time exports were decreasing. Yet by Schacht's resourcefulness, his complete financial ruthlessness, and his absolute cynicism, Schacht was able to maintain and to establish the situation for the Nazis. Unquestionably without this complete lending of his capacities to the Nazi Government and all of its ambitions, it would have been impossible for Hitler and the Nazis to develop an Armed Force sufficient to permit Germany to launch an aggressive war".

EC 451, Affidavit of Messersmith, 15 November 1945, U.S.A. Ex. 626.

IV

SCHACHT PARTICIPATED IN THE NAZI CONSPIRACY PURPOSELY, WILLINGLY, AND WITH KNOWLEDGE OF ITS ILLEGAL AIMS AND METHODS

a. He was a faithful adherent of Hitler.

It has already been demonstrated under Point II that even before Hitler's accession to power, Schacht aligned himself with Hitler and accepted his program. Schacht's utterances after Hitler had entrenched himself in power clearly show that he remained a faithful servant of Hitler despite the series of outrages committed under Hitler's direction.

At the opening of the Leipzig Fair on 4 March 1935, Schacht said:

"My so-called foreign friends don't render any services to me or the cause, which they don't want anyway, of course, but not even to themselves, if they try to construe a contrast between me and the allegedly impossible economic theories of National Socialism and represent me as a sort of guardian of economic reason. I assure you that all that I am doing and saying enjoys the absolute approval of the Fuehrer and that I would never do or say anything that does not have his approval. Not I but the Fuehrer is the guardian of economic reason".

EC 503, Frankfurter Zeitung, 5 March 1935.

On the occasion of the unveiling of Hitler's bust in the vestibule of the Reichsbank on 31 July 1935, Schacht said:

"Germany stays and falls with the success of the policy of Hitler".

EC 415, Excerpts from "Schacht in seinen Aeusserungen", U.S.A. Ex. 627.

At a ceremony in connection with the creation of the Economic Chamber for Pomerania in Stettin on 19 January 1936, Schacht denied that there was any disagreement between Hitler and his collaborators, and went on to say:

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"In Germany there is fortunately only one policy and one economic policy, namely that of Adolf Hitler; to work with him and for his goals is the highest satisfaction for every member of the people's community".

EC 502, Frankfurter Zeitung, 19 January 1936.

In May 1936, Schacht was attacked by some of the more radical elements of the Nazi Party because he had rejected their "partially irrational ideas" concerning armament financing. In repelling these attacks, Schacht emphasized at a secret meeting of the Ministers on 12 May 1936, that his program of financing armaments had meant "the commitment of the last reserve from the very beginning"; and he announced that despite the attacks, he would continue to work because he

"stands with unswerving loyalty to the Fuehrer, because he fully recognizes the basic idea of National Socialism and because at the end, the disturbances, compared to the great task, can be considered irrelevant".

1301 PS, Secret Minutes of Meeting of Ministers dated 15 May 1936, U.S.A. Ex. 123.

So far as appears, Schacht did not become a member of the Nazi Party until January 1937. Franz Reuter, whose biography of Schacht was officially published in Germany in 1937, has stated that Schacht's becoming a regular Party member was only a question of secondary importance, and even part of a carefully planned policy, for,

"By not doing so -- at least until the final assertion and victory of the Party -- he (Schacht) was able to assist it (the Party) much better than he would have been able to do had he become an official Party member".

EC 460, Franz Reuter, "Schacht", (1937), U.S.A. Ex. 617.

On 30 January 1937, Hitler bestowed the Golden Party Badge upon Schacht, in recognition of his "special services to Party and State". Schacht accepted this hallmark of approval by the Fuehrer with effusive thanks and a pledge of continued support. In his speech of acceptance, Schacht stated:

"The presentation of the Golden Badge of the Movement is the highest honor the Third Reich has to offer. In honoring me as the head of the Reichsbank and the Reich and Prussian Ministry of Economics, it honors at the same time the two agencies which I am directing as well as the work of all those officials, employees and workers functioning in these two agencies.
* * *

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"I thank all my colleagues among the ranks of officials, employees, and workers for their faithfulness in the performance of their work, and appeal to all of them further to devote, with all their hearts, their entire strength to the Fuehrer and the Reich. The German future lies in the hands of our Fuehrer".

EC 500, Excerpt from Frankfurter Zeitung, 9 February 1937.

The depths of adulation were reached in a speech which Schacht delivered on the occasion of Hitler's 48th birthday in April 1937. Schacht spoke as one of Hitler's "closest collaborators" who had seen at first hand the difficulties which beset the Fuehrer in the relentless march towards his goals. In his speech, Schacht stated:

"With the limitless passion of a burning heart and the infallible instinct of the born statesman, Adolf Hitler has won for himself the soul of the German people in a battle fought for 14 years with unswerving consequence.

* * *

"Only the closest collaborators of the Fuehrer know how difficult is the burden of this responsibility; how sorrowful are the hours during which decisions must be made which bear upon the well being and the fate of all of Germany".

EC 501, Berliner Tageblatt, 21 April 1937.

In November 1938, at a time Schacht now asserts he was plotting against Hitler, he stated in a speech:

"Instead of a weak and vacillating Government, a single, purposeful, energetic personality is ruling today. That is the great miracle which has actually happened in Germany and which has had its effects in all fields of life and not least in that of economy and finance. There is no German financial miracle. There is only the miracle of the reawakening of German national consciousness and German discipline, and we owe this miracle to our Fuehrer Adolf Hitler".

EC 611, Speech by Schacht, 29 November 1938, "Miracle of Finance and the New Plan", U.S.A. Ex. 622.

b. Schacht favored the acquisition of additional territory for Germany — peacefully if possible, but by aggressive war, if necessary.

Schacht had long been a German nationalist and expansionist. As early as 1927, he spoke against the Versailles Treaty:

"The Versailles Dictate cannot be an eternal document, because not only its economic, but also its spiritual and moral premises are wrong".

EC 415, "Schacht in seinen Aeusserungen", U.S.A. Ex. 627.

He strongly favored the acquisition by Germany of both colonial territory and contiguous territory in Europe. At the Paris conference on 16 April 1929, he said:

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"Germany can generally only pay if the Corridor and Upper Silesia will be handed back to Germany from Polish possession, and if besides somewhere on the earth colonial territory will be made available to Germany".

Schacht's Interrogation, 24 August 1945, U.S.A. Ex. 628.

In a speech in Danzig in June 1935, Schacht ascribed the economic difficulties which confronted Danzig to "historical errors of the greatest extent which were beyond the control of the German people". He sought to comfort his listeners with the assurance that

"We Germans in the Reich today are looking with fullest confidence upon our comrades in the Danzig Free State, and maintain our people's fellowship with the interests, wishes and hopes of this territory which has unfortunately been separated from us".

EC 498, Frankfurter Zeitung, 16 June 1935.

In January 1936, Schacht again publicly spoke against the Versailles Treaty, and impliedly threatened war unless its terms were revised in Germany's favor. At that time, he stated:

"But the memory of war weighs undiminished upon the people's minds. That is because deeper than material wounds, moral wounds are smarting, inflicted by the so-called peace treaties. Material loss can be made up through renewed labor, but the moral wrong which has been inflicted upon the conquered peoples, in the peace dictates, leaves a burning scar on the people's conscience. The spirit of the Versailles has perpetuated the fury of war, and there will not be a true peace, progress or reconstruction until the world desists from this spirit. The German people will not tire of pronouncing this warning".

EC 415, "Schacht in seinen Aeusserungen", U.S.A. Ex. 627.

Later in the same year, Schacht again publicly advocated "Lebensraum" for the German people in terms not unlike those employed by Hitler. In his speech at Frankfurt on 9 December 1936, Schacht said:

"Germany has too little living space for her population. She has made every effort, and certainly greater efforts than any other nation, to extract from her own existing small space, whatever is necessary for the securing of her livelihood. However, in spite of all these efforts the space does not suffice".

Ibid.

Schacht had hoped, it is believed, that his desire for additional space for Germany would be realized without resort to war. In Austria, for example, he had authorized 200,000 Marks a month to be set aside for the National Socialists in Austria, hoping thereby to facilitate the absorption of Austria into Germany without war (Transcript, pages 506-507. But if Germany's neighbors would not accede to the conspirators' demands

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for additional space, Schacht was willing to go to war to fulfil those demands.

Thus, on 23 September 1935, Schacht told S.R. Fuller, Jr. at the American Embassy in Berlin:

> "Colonies are necessary to Germany. We shall get them through negotiation if possible; but if not, we shall take them".
>
> EC 450, Memorandum of conversation between Schacht and S.R. Fuller, Jr., 23 September 1935, U.S.A. Ex. 629.

In January 1937, Schacht, in a conversation with Ambassador Davies, impliedly threatened a breach of the peace unless Germany's demands for colonies were met. The conversation is related as follows in a report under date of 20 January 1937, by Ambassador Davies to the Secretary of State:

> "He (meaning Schacht) stated the following: that the present condition of the German people was intolerable, desperate and unendurable; that he had been authorized by his Government to submit proposals to France and England which would (1) guarantee European peace; (2) secure present European international boundaries; (3) reduce armaments; (4) establish a new form of a workable League of Nations; (5) abolish sanctions with new machinery for joint administration; all based upon a colonial cession that would provide for Germany an outlet for population, source for food stuffs, fats and raw materials..."
>
> L 111, Report of Ambassador Davies to State Department, 20 January 1937, U.S.A. Ex. 630.

The inference was clear: without a colonial cession, peace could not be guaranteed. Equally clear was the inference that it would be Germany in its search for "Lebensraum" that would disturb the peace.

On 21 December 1937, Schacht indicated to Ambassador Dodd that he desired the annexation of neighboring countries, without war if possible, but with war, if necessary. The pertinent portion of Ambassador Dodd's notes on this conversation are as follows:

> "Schacht meant what the Army chiefs of 1914 meant when they invaded Belgium, expecting to conquer France in six weeks; i.e., domination and annexation of neighboring little countries, especially north and east. Much as he dislikes Hitler's dictatorship, he, as most other eminent Germans, wishes annexation - without war if possible, with war, if the United States will keep hands off".
>
> EC 461, Excerpts from Ambassador Dodd's Diary, U.S.A. Ex. 58.

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c. Schacht knew of Hitler's plans to wage aggressive war and wilfully provided the means whereby such a war might successfully be waged.

Whether or not Schacht personally favored war, it is clear that he at least knew that Hitler planned military aggression and that he was providing Hitler with the instrument by which those plans could be executed. Even before Hitler's accession to power, Schacht knew from a reading of "Mein Kampf" that Hitler was bent upon expansion to the East by force of arms.

Interrogation of Schacht, 13 October 1945, pp. 1-3, U.S.A. Ex. 633.

In the course of his frequent contacts with the Honorable Mr. Messersmith, United States Consul General in Berlin from 1930 to 1934, Schacht emphasized that the "Nazis were inevitably going to plunge Europe into war".

EC 451, Affidavit of Messersmith, U.S.A. Ex. 626.

In September of 1934, Ambassador Dodd recorded in his diary a conversation with Sir Eric Phipps at the British Embassy in Berlin, wherein he stated that "Schacht had acknowledged to me the war purposes of the Nazi Party".

EC 461, Excerpts from Dodd Diary, U.S.A. Ex. 58.

Schacht has admitted that in the course of his numerous talks with Hitler from 1933 to 1937, he formed the impression that "in order to make his hold on the Government secure, the Fuehrer felt that he must present the German people with a military victory".

EC 458, Affidavit of Major Tilley, 21 November 1945, U.S.A. Ex. 634.

These admissions by Schacht are fortified by other evidence which shows that Schacht knew that Hitler planned military aggression. After his appointment as Minister of Economics, Schacht became a permanent member of the secret Reich Defense Council. The function of that Council, as shown in other connections, was secretly to mobilize all of the human and material resources of Germany for war.

EC 177, Secret Minutes of Second Meeting of Working Committee of Delegates for Reich Defense, U.S.A. Ex. 390.

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Shortly after his appointment as the Plenipotentiary General for the War Economy in May 1935, Schacht was entrusted by the Reich Defense Council with the "preparation of economic mobilization" in connection with the proposed re-occupation of the Rhineland. Schacht and those officials who were charged with the purely military aspects of the re-occupation were enjoined to proceed with the utmost secrecy because of assurances given by Hitler to the French that no military action was contemplated in the de-militarized zone of the Rhineland.

EC 405, Secret Minutes of 10th Meeting of Working Committee of the Reich Defense Council, 26 June 1935, G.B. Ex. 160.

At the 11th meeting of the Reich Defense Council, on 6 December 1935, which was attended by a number of representatives from Schacht's office of Plenipotentiary of the War Economy, Keitel pointed out that

> "According to the will of the Fuehrer, the economic leadership puts the increase of our armed might knowingly ahead of other requirements of the state. It is the task of all members of the Reich Defense Council to utilize the national property, made available, primarily for this purpose and economically in the framework of the entire situation, and request only such funds and raw materials which serve absolutely and exclusively the Reich Defense..."

EC 406, Minutes of 11th Meeting of Reich Defense Council, 6 December 1935.

The singleness of purpose with which Schacht and the other conspirators were gearing the German economy for war is strikingly shown by the top secret minutes of the meeting of ministers dated 30 May 1936. This, it will be recalled, was little more than 10 weeks after German troops had occupied the Rhineland. At this meeting, Schacht pointed out that "it must be attempted to produce those raw materials within Germany which are economically favorable; for other raw materials ready reserves for the case of mobilization"; and also that "certain raw materials for war must be stocked". Continuing the discussion, Goering emphasized that "all measures are to be considered from the standpoint of an assured waging of war". Thereafter, Schacht advocated the introduction of price supervision and agreed that first priority

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should be given to the "specially urgent petroleum question".

1301 PS, Secret Minutes of Meeting of Ministers, dated 30 May 1936, U.S.A. Ex. 123.

By top secret letter dated 31 August 1936, Schacht was advised by General von Blomberg that Hitler had ordered that "the setting up of all air force units has to be completed on 1 April 1937". This accelerated program entailed the expenditure of large additional funds which Schacht and the Minister of Finance were called upon to supply. The sense of urgency with which Hitler pressed the completion of the German air force patently signified that the waging of war was a certainty.

1301 PS, Secret letter from von Blomberg, 31 August 1936, U.S.A. Ex. 123.

Shortly after the receipt of this letter, and on 4 September 1936, Schacht attended a secret cabinet meeting where Goering stated:

> "The Fuehrer and Reichskanzler has given a memorandum to the Col. General and the Reich War Minister which represents a general instruction for the execution thereof.
>
> "It starts from the basic thought that the showdown with Russia is inevitable.
>
> * * *
>
> "The Colonel General reads the memorandum of the Fuehrer.
>
> * * *
>
> "If war should break out tomorrow we would be forced to take measures from which we might possibly still shy away at the present moment. They are, therefore, to be taken.
>
> * * *
>
> "All measures have to be taken just as if we were actually in the stage of imminent danger of war."

EC 416, Minutes of Cabinet Meeting of 4 September 1936, U.S.A. Ex. 635.

There was no room for surmise in these utterances; Hitler was definitely and irrevocably committed to waging aggressive war. If Schacht ever had any doubts concerning Hitler's firm resolve to carry out the program of aggressive war outlined in "Mein Kampf"; if, contrary to his statements to Mr. Messersmith and Ambassador Dodd, Schacht actually doubted in 1934 that the Nazis, whom he was faithfully serving, would inevitably plunge Europe into war; and if, despite the pressing sense of immediacy that had pervaded the Nazi war economy

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from the very outset, he had entertained lingering doubts concerning Hitler's plans for armed aggression, all such doubts must have been removed by the clear and unequivocal pronouncements in the above-mentioned eventful meetings of 1936 in which he participated.

Yet, despite his knowledge of Hitler's plans to wage aggressive war, despite the fact that he had grave technical doubts about the ability of the Reichsbank to finance further armaments through additional short term credits, and despite the fact that some directors of the Reichsbank had opposed further "mefo" financing, Schacht pledged another 3 billion Reichsmarks by the "mefo" bill method for further financing of armaments in March 1937.

EC 438, Affidavit of Puhl, 8 November 1945, U.S.A. Ex. 646.

A full statement has already been made to the Tribunal, in other connections, of the Hoszbach notes dated 10 November 1937, on the important conference of 5 November 1937 in the Reichskanzlei.

386-PS, Secret Hoszbach notes dated 10 November 1937, U.S.A. Ex. 25.

These minutes, it will be recalled, reveal a further crystallization of Hitler's program of absorption and conquest in Europe. Definite plans were laid for the early acquisition of Austria and Czechoslovakia, and for their exploitation in preparation for further military operations. So far as appears, Schacht was not present at this particular meeting. But his awareness of what occurred at the meeting is shown by the fact that he told Ambassador Bullitt on 23 November 1937, that

> "Hitler was determined to have Austria eventually attached to Germany and to obtain at least autonomy for the Germans of Bohemia. At the present moment he was not vitally concerned about the Polish Corridor, and in his (Schacht's) opinion it might be possible to maintain the Corridor provided Danzig were permitted to join East Prussia, and provided some sort of a bridge could be built across the Corridor uniting Danzig and East Prussia with Germany".

L 151, Memorandum of conversation between Ambassador Bullitt and Schacht, 23 November 1937, U.S.A. Ex. 70.

Although Schacht apparently sought to convey the impression to Ambassador Bullitt that he desired to stay Hitler's hand but was powerless to do so, it is clear that he was actually in complete sympathy with Hitler's objectives. Despite the mounting tension which followed his conversation with Ambassador Bullitt, Schacht remained as President of the Reichsbank, and in that capacity established, in advance of the invasion of Austria, the rate of exchange between Marks and Austrian Schillings which was to prevail after the absorption of Austria.

EC 421, Secret Staff meeting, 11 March 1938,
U.S.A. Ex. 645.

Moreover, under his direction, the Austrian National Bank was merged into the Reichsbank (Reichsgesetzblatt, 1938, I, 254). His speech of 21 March 1938, to the employees of the former Austrian National Bank on the occasion of its obliteration as an independent institution, betrayed his true feelings. After inveighing against "the dictates of Versailles and St. Germain", Schacht stated:

> "Thank God, these things could after all not hinder the great German people on their way, for Adolf Hitler has created a communion of German will and German thought, he bolstered it up with the newly strengthened Wehrmacht and he then finally gave the external form to the inner union between Germany and Austria.
>
> * * *
>
> "One person says he would have done it maybe in one way, but the remarkable thing is that they did not do it (hilarity), that IT WAS ONLY DONE BY OUR ADOLF HITLER (Long continued applause) and if there is still something left to be improved, then those grumblers should try to bring about those improvements from the German Reich and within the German community, but not to disturb it from without. (Lively agreement)".
>
> * * *
>
> "I ask you to raise your hands and to repeat after me:
>
> I swear that: I will be faithful, and obedient to the Fuehrer of the German Reich and the German people, Adolf Hitler, and will perform my duties conscientiously and selflessly. (The audience takes the pledge with uplifted hands).
>
> You have taken this pledge. A scoundrel he who breaks it. To our Fuehrer a triple "Siegheil". "

EC 297a, Speech by Schacht to employees of the former Austrian National Bank, 21 March 1938, U.S.A. Ex. 632.

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Schacht was likewise enthusiastic about the acquisition of the Sudetenland, and filled with pride over the contribution his credit policy as head of the Reichsbank had made thereto.

> EC 611, Speech by Schacht entitled "Miracle of Finance and the New Plan", 29 November 1938, U.S.A. Ex. 622. See p. 9, supra.

In January 1939, when Hitler was ruthlessly exploiting his successes in Austria and the Sudetenland in preparation for his next aggressive move, Schacht again referred, with pride, to the fact that the Wehrmacht which he had helped create by his ingenious and risky methods had made possible Hitler's successes. Thus, he said:

> "From the beginning the Reichsbank has been aware of the fact that a successful foreign policy can be attained only by the reconstruction of the German armed forces. It (the Reichsbank) therefore assumed to a very great extent the responsibility to finance the rearmament in spite of the inherent dangers to the currency. The justification thereof was the necessity -- which pushed all other considerations in to the background -- to carry through the armament at once, out of nothing and furthermore under camouflage, which made a respect-commanding foreign policy possible".
>
> EC 369, Letter from Schacht to Hitler, 7 January 1939, U.S.A. Ex. 631.

The prosecution respectfully submits that the foregoing line of proof establishes, beyond peradventure, that Schacht knew of Hitler's plans for aggressive war, and wilfully created the means whereby those plans could be executed. But apart from this direct proof, it is submitted that to a man in Schacht's position, the events of the period clearly bespoke Hitler's intentions. Schacht was a key figure in the Nazi Government during the period of the Nazi agitation in Austria, the introduction of conscription, the march into the Rhineland, the conquest of Austria, and the acqusition of the Sudetenland by a show of force.

During this period, the Reich debt trebled under the stress of mounting armaments (EC 419, Letter from von Krosigk to Hitler, 1 September 1938, U.S.A. Ex. 621), and all the resources of Germany were being straine to the very limit for armament. It was a period in which the burning European foreign policy issue was the satisfaction of Germany's repeated demands for additional territory. Hitler, committed to a

policy of expansion, was laying the greatest stress upon utmost speed in preparation for war.

Certainly in this setting, Schacht did not proceed in ignorance of the fact that he was assisting Hitler and Nazi Germany along the road towards armed aggression.

V.

SCHACHT'S LOSS OF POWER DID NOT IMPLY DISAGREEMENT WITH THE CONSPIRATORS' PROGRAM OF AGGRESSIVE WAR

a. His resignation as Minister of Economics and General Plenipotentiary for War Economy

In November 1937, Schacht resigned his offices as Minister of Economics and General Plenipotentiary for War Economy. At the same time, he accepted appointment as Minister without Portfolio, and continued as President of the Reichsbank. The prosecution respectfully submits that the evidence shows that Schacht's resignations were merely the outgrowth of a clash between two power seeking individuals, Goering and Schacht, over methods of creating a war economy and over who should have final authority to direct the completion of the task. So far as appears, Schacht was in full accord with the other conspirators upon the desirability of providing Hitler with the means by which he eventually could carry out his planned aggressions.

The basic differences between Schacht and Goering date from a period shortly after Goering became head of the Four-Year Plan Office. The latter office was created by Hitler in September 1936, and in connection therewith, Goering was "given far reaching powers to issue directives to all the highest offices of the State and Party". Goering conceived of his function as head of the Four-Year Plan Office "within four years to put the entire economy in a state of readiness for war".

EC 408, Secret command report on the Four-Year Plan and preparation of the war economy, U.S.A. Ex. 579.

Schacht was in agreement with the "aim and idea" of the Four-Year Plan. He promised Goering his complete support and co-operation, and

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urged that Goering draw upon Schacht's long experience in economic affairs. Thus, in Schacht's letter of 5 August 1937, to Goering, he said:

> "The aim and the idea of the Four Year Plan were and remain entirely correct and necessary. It stands, essentially, for the application of increased energy to the efforts already undertaken by my ministry since 1934 with the results shown in the above statistics. As you will remember, I welcomed it when your energy, my dear Prime Minister, was recruited by the Fuehrer for these tasks, and from the very beginning I gave you my most loyal support and cooperation, with the particular plea that I be given a hearing from time to time, since I believed that my more than thirty years of experience in economic life, half of them in public service, could be of value to you".

EC 497, Letter from Schacht to Goering, 5 August 1937.

Goering, however, failed to avail himself of Schacht's offer of his services. "I can only regret", said Schacht in the aforementioned letter, "that you have made so little use of my offer" (EC 497). Instead, Goering began to encroach upon powers which had been delegated to Schacht, and they became embroiled in a bitter jurisdictional conflict. On 26 November 1936, Goering issued a directive regarding raw and synthetic material production whereby he undertook to assume control over large economic areas previously within Schacht's province.

EC 243, Directive by Goering entitled "Jurisdiction re Development of Raw and Synthetic Materials", U.S.A. Ex. 637.

Schacht did not supinely accept Goering's intrusions upon his powers. Goering's directive was countered by an abrupt order from Schacht to all supervisory offices to accept orders from him alone.

EC 376, Circular from Schacht to supervisory offices, 11 December 1936, U.S.A. Ex. 638.

The conflict reached such dimensions that it threatened to retard the furious pace of the conspirators' armament program. The military sided with Schacht, who had provided the means for their rapid rearmament. They submitted proposals which would have assured to Schacht as Plenipotentiary General for the War Economy the responsibility for "unified preparation of the war economy as heretofore".

EC 408, Secret memorandum on the "Four-Year Plan and preparation of the war economy", 30 December 1936, U.S.A. Ex. 579.

EC 420, Secret memorandum of Military Economy Staff, 19 December 1936, U.S.A. Ex. 639.

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In January 1937, the German Military Weekly Gazette published an article warmly praising Schacht's achievements in rearmament. The timing of the article indicates that it was a further attempt by the military to tip the scales in Schacht's favor. The article stated:

> "The German Defense Force commemorates Dr. Schacht today as one of the men who have done imperishable things for it and its development in accordance with directions from the Fuehrer and Reich Chancellor. The Defense Force owes it to Schacht's skill and great ability that, in defiance of all currency difficulties, it, according to plan, has been able to grow up to its present strength from an army of 100,000 men".
>
> EC 383, Article re Schacht in "Military Weekly Gazette", U.S.A. Ex. 640.

Shortly thereafter, Schacht attempted to force a showdown with Goering by temporarily refusing to act in his capacity as Plenipotentiary. Schacht plainly was using his prime importance in the conspirators' program of economic planning and preparation for war as a lever. In a letter to Hitler dated 22 February 1937, General von Blomberg, the Minister of War, suggested a settlement of the jurisdictional fight under which Schacht would fully retain his powers as General Plenipotentiary of War Economy, and concluded by stating:

> "If you, my Fuehrer, agree with my view regarding these jurisdictional questions, it may be possible to induce Reichsbank President Dr. Schacht, whose cooperation as Plenipotentiary for preparation of war is of great significance, to resume his former activity".
>
> EC 244, Secret letter from von Blomberg to Hitler, 22 February 1937, U.S.A. Ex. 641.

As a further demonstration of the community of interest between Schacht and the top German military authorities, Schacht attended the secret "War Economy" games at Godesberg in the latter part of May 1937. The purpose of the games was to demonstrate"how the action of the soldiers in total war is influenced by economy and how on the other hand, economy is completely dependent on military operations". Schacht's attendance was acclaimed at the games as

> "renewed proof that you are willing to facilitate for us soldiers the difficult war-economic preparations and to strengthen the harmonious cooperation with your offices".
>
> EC 174, Secret report of "War Economy trip to Godesberg undertaken by General Staff between 25 May and 2 June".

In June 1937, Keitel implored Hitler to accelerate a final agreement between Schacht and Goering. Speaking of arrangements concerning cooperation of these two key figures, Keitel said:

> "I know that a necessary practical basis for it (the arrangement for cooperation between Schacht and Goering) has already been found, and only a formal agreement is needed in order to carry on the common work.
> * * *
> "to waste time in our situation would be the greatest reproach that history could make upon us.
>
> "May I beg, therefore, once more that the arrangement mentioned be expedited, and that I be notified accordingly".

EC 248, Secret letter from Keitel to Hitler, 14 June 1937.

Finally, on 7 July 1937, Schacht and Goering signed an agreement of reconciliation in Berlin, wherein it was said that the tasks of Goering and Schacht "are being solved in closest mutual cooperation", and that "no doubt exists about the fact that the Commissioner General for War Economy has the position of a supreme authority of the Reich".

EC 384, Secret agreement between Goering and Schacht, 7 July 1937.

Schacht resumed his duties as General Plenipotentiary with renewed vigor. On the day following his formal agreement with Goering, he wrote to General von Blomberg on "Measures for the preparation of the conduct of war", pledging continued cooperation in their mutual endeavors:

> "... by the direction of the supreme authority for the conduct of war, the coordination of the conduct of war will be assured in its execution through mutual agreement between you and me, which I look upon as a matter of course in the Central Authority and without which I cannot envisage any conduct of war. The direction of the economy by the plenipotentiary would in that event never take place entirely independent from the rest of the war mechanism but would be aimed at the accomplishment of the political war purpose with the mustering of all economic forces. I am entirely willing, therefore, to participate in this way in the preparation of the forthcoming order giving effect to the Reich Defense Act (Reichsverteidigungsgesetz)".

EC 252, Secret letter from Schacht to von Blomberg, 8 July 1937.

However, Schacht and Goering were soon again in disagreement. After a sharp exchange of letters in which each sought to justify his particular economic program as the best means of making possible the attainment of Hitler's objectives (EC 497, Letter from Schacht to Goering,

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5 August 1937; EC 493, Letter from Goering to Schacht, 22 August 1937, U.S.A. Ex. 642), Schacht suggested to Goering in a curt letter dated 26 August 1937, that he (Goering) assume sole charge of economic policies. In this letter, Schacht rationalized his precipitate action as follows:

> "To me it does not seem to be of decisive importance to raise questions of competence and initiative, but it is of decisive importance that the Fuehrer's economic policy should be carried out in a coherent manner, and with the least amount of friction".
>
> EC 283, Letter from Schacht to Goering, 26 August 1937.

Despite the uncompromising tenor of the latter communication, Schacht was still amenable to an arrangement with Goering which would have permitted him a measure of autonomy in economic planning and preparation for war. On 1 November 1937, he attended a conference with Goering

> "which led in an entirely friendly manner to the working out of a series of proposals, which ... Goering promised to have presented to me (Schacht) in writing on the following day ... so that, after having reached an agreement we could present a mutually approved text to you, my Fuehrer".
>
> EC 495, Letter from Schacht to Hitler, 16 November 1937.

But the written agreement was not forthcoming as Goering had promised, and Schacht repeated his request to be relieved from the Ministry of Economics, "in the interest of a uniform government management".

> Ibid.

Hitler finally accepted Schacht's resignation as Minister of Economics on 26 November 1937, simultaneously appointing him Minister Without Portfolio. Schacht's resignation was also extended to his position as Plenipotentiary for War Economy.

> EC 494, Letter from Lammers to Schacht, 8 December 1937, U.S.A. Ex. 643.

In subsequent interrogations, both Schacht and Goering have confirmed the fact that Schacht's withdrawal was simply the result of a losing struggle with Goering to retain personal power.

> Interrogation of Goering, 17 October 1945, U.S.A. Ex. 648.
>
> Interrogation of Schacht, 16 October 1945, U.S.A. Ex. 636.

There is nothing to indicate that Schacht's withdrawal from the Ministry of Economics and the Office of Plenipotentiary for War Economy in any sense represented a break with Hitler on the ground of contemplated military aggression. He consented to retain his position as President of the Reichsbank, where he remained undisputed master, and accepted the post of Minister of Portfolio, in order to be Hitler's "personal adviser". In the letter accepting Schacht's resignation as Minister of Economics, Hitler said:

> "If I accede to your wish it is with the expression of deepest gratitude for your so excellent achievements and in the happy consciousness that, as President of the Reichsbank Directorium, you will make available for the German people and me for many years more your outstanding knowledge and ability and your untiring working strength. Delighted at the fact that in the future, also, you are willing to be my personal adviser, I appoint you as of today a Reich Minister".

L 104, Letter Hitler to Schacht, 29 November 1937, U.S.A. Ex. 644.

As President of the Reichsbank, Schacht continued to carry out Hitler's policies. As previously shown, he participated in the planning of the invasion of Austria by fixing the conversion rate of the Austrian Schilling in advance of the invasion; and under his direction, the Austrian National Bank was merged into the Reichsbank (supra, p. 28) He publicly approved the absorption of Austria and the acquisition of the Sudetenland (Supra, pp 9, 28-29). He continued to finance armaments by "mefo" bill credits until April 1938, and thereafter, until his resignation in January 1939, authorized an increase of approximately 2.6 billion Reichsmarks in bank notes in order to discount commercial paper which was used in connection with the armament program.

EC 438, Affidavit of Puhl, 8 November 1945, U.S.A. Ex.646.

b. Schacht's dismissal from the Presidency of the Reichsbank.

Schacht was dismissed from the Presidency of the Reichsbank in January 1939. The evidence indicates that Schacht engineered his dismissal in order to escape personal responsibility for what he believed to be an impending financial crisis; he was not dismissed because of disagreement with the ultimate objectives of the conspiracy or common plan.

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Schacht had always feared an inflation in Germany. As early as May 1936, he emphatically stated that he would "never be party to an inflation".

1301 PS, Secret minutes of council of ministers, dated 15 May 1936, U.S.A. Ex. 123.

In January 1939, Schacht was convinced that ruinous inflation was, in fact, imminent.

EC 369, Letter from Reichsbank directors to Hitler, signed by Schacht, U.S.A. Ex. 631.

There was, it appears, ample basis for his fear. The Finance Minister, von Krosigk, had already recognized the situation in September 1938, and had written to Hitler warning that

> "...we are steering towards a serious financial crisis, the forebodings of which have led already abroad to detailed discussions of this weak side in our economic preparations and to an apprehensive loss of confidence domestically".

EC 419, Letter from von Krosigk to Hitler, 1 September 1938, U.S.A. Ex. 621.

Schacht was not only afraid of a financial crisis; he was even more fearful that he personally would be held responsible for it and his prestige would suffer a crushing blow. One of his associates at the Reichsbank has stated:

> "When Schacht saw that the risky situation which he had sponsored was becoming insoluble, he was more and more anxious to get out. This desire to get out of a bad situation was for a long time the 'leitmotif' of Schacht's conversationswith the directors of the bank".

EC 438, Affidavit of Puhl, 8 November 1945, U.S.A. Ex. 646.

In the end, Schacht deliberately stimulated his dismissal from the Presidency of the Reichsbank by arbitrarily refusing an end-of-the-month loan in a relatively small amount to the Reich, contrary to well established practice.

Interrogation of Goering, 17 October 1945, U.S.A. Ex.648.

Interrogation of von Krosigk, 24 September 1945, pp. 2-3 U.S.A. Ex. 647.

Despite differences of opinion concerning the limits to which the German economy might be pushed without plunging the country into

inflation, Schacht continued to enjoy Hitler's confidence. In his letter to Schacht dated 19 January 1939, Hitler stated:

> "On the occasion of your recall from Office as President of the Reichsbank Directory, I take the opportunity to express to you my most sincere and warmest gratitude for the services which you rendered repeatedly to Germany and to me personally in this capacity during long and difficult years. Your name, above all, will always be connected with the first epoch of the national rearmament. I am happy to be able to avail myself of your services for the solution of new tasks in your position as Reich Minister".

EC 397, Letter from Hitler to Schacht, 19 January 1939, U.S.A. Ex. 650.

On his side, Schacht evidenced his abiding faith in Hitler and his continued agreement with his aggressive policies, by remaining as Minister without Portfolio until January 1943. As such he received a large salary from the Nazi Government and enjoyed the emoluments of public office.

Interrogation of Schacht, 11 July 1945, pp. 11-12.

D. ARGUMENT AND CONCLUSION

The prosecution respectfully submits that Schacht is guilty, under Article 6 of the Charter of the Tribunal, of planning and preparing for wars of aggression and wars in violation of international treaties, agreements or assurances, and of participation in a common plan or conspiracy to plan, prepare, initiate and wage such wars. Having participated in the formulation of this common plan or conspiracy, Schacht must answer, under the last sentence of Article 6 of the Charter, for all the crimes committed by his co-conspirators in the execution thereof.

Schacht's assistance in the earlier phase of the conspiracy was an important factor in enabling the conspirators to seize the German state and thus pave the way for their later crimes. His work was indispensable to the rearmament of Germany and to the economic planning and preparation required to launch the German wars of aggression. As long as he remained in power, he worked as eagerly for the preparation of aggressive war as any of his co-conspirators. He personally was

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favorably disposed towards aggression, if "Lebensraum" for Germany could not otherwise be attained. He knew that Hitler intended to and would break the peace, and with this knowledge, he willingly and purposely contributed his efforts. His withdrawal from three of his four posts reflected no moral feeling against the use of aggressive warfare as an instrument of national policy; he withdrew for reasons wholly unrelated to Hitler's program of illegal aggression. By the time of his withdrawal from these three positions, he had already provided his co-conspirators with the physical means and economic planning necessary to launch and maintain their wars of aggression; and he continued in his lucrative fourth position (Minister without Portfolio) until January 1943 -- until, in short, it became doubtful whether the conspirators could maintain the successes which they had gained in the wars they had illegally launched and were waging.

Justice demands that Schacht should receive the maximum penalty for his crimes.

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E. APPENDICES

i. Documents cited

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EC 177	Secret Minutes of Second Meeting of Working Committee of Delegates for Reich Defense.	390	24
EC 243	Directive by Goering entitled "Jurisdiction re Development of Raw and Synthetic Materials"	637	31
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EC 257	Letter from Schacht to Thomas, 29 December 1937.		8
EC 258	Report on Preparation of the Economic Mobilization by the Plenipotentiary for War Economy.	625	16,17,18
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EC 297A	Speech by Schacht to employees of the former Austrian National Bank, 21 March 1938.	632	28
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EC 611	Speech by Schacht 29 November 1938, entitled "Miracle of Finance and the New Plan".	622	9.10,13 14.21,29
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ii. Interrogations cited

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iii. Decrees cited

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